

Make me an offer I won't regret: Offers to license works on acceptable terms cannot block libraries' "right" to digitize for access on dedicated terminals: *Technische Universität Darmstadt*

Case C-117/13, *Technische Universität Darmstadt v. Eugen Ulmer KG*, Judgment of the Court (Fourth Chamber) of 11 September 2014, EU:C:2014:2196.

1. Introduction

2014 was a rather exciting year for copyright all round and the ECJ's ruling in *Technische Universität Darmstadt* struck another clarification off our wish list. This ruling provided enlightenment about how the exception in 5(3)(n) of the Copyright Directive, allowing for on-site consultation of digitized versions of works held in library collections, is to be applied.¹ The Copyright Directive, which is already nearing its 14th birthday, seeks to achieve a balance between the interests of users and rightholders and was adopted as a "building block" to the information society, harmonizing the exclusive rights of reproduction, distribution, "making available" and communication to the public in particular.² Article 5 deals with exceptions and limitations to these exclusive rights, although it is subject to criticism because the contents thereof are optional in nature (Member State "may" provide...) allowing Member States to pick 'n' mix the balance between authors and users.³ Article 5(3)(n) specifically allows Member States to incorporate into their copyright framework provisions allowing "publicly accessible libraries, educational establishments, museums or archives" to "make available or communicate works to individual members of the public by dedicated terminals on the premises" as long as they are not subject to "purchase or licensing terms".

The ruling at issue clarifies three aspects of this provision: (1) that the "purchase or licensing terms" referred to in this article must be contractually concluded between the establishment and the publisher; the mere offer by a publisher to provide digital copies of

¹Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society, O.J. 2001, L 167/10. For an in-depth analysis of the implementation of this provision see De Wolf and Partners (Funded by the European Commission), "Study on the Application of Directive 2001/29/EC on Copyright and Related Rights in the Information Society (the "Infosoc Directive:)", DOI: 10.2780/90141, at 307-323.
<ec.europa.eu/internal_market/copyright/docs/studies/131216_study_en.pdf> (last visited 20 Feb. 2015).

²Arts. 2, 3 and 4 Copyright Directive ("CD") provide, respectively, that Member States must provide authors with the exclusive rights to authorize or prohibit "direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part" ("reproduction right"); "any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them" ("communication right"); and "any form of distribution to the public by sale or otherwise" "of the original of their works or of copies thereof" ("distribution right"). The scanning at issue in TU Darmstadt concerned only the communication and reproduction rights.

³See e.g. Dreier, "Limitations: The centrepiece of copyright in distress - an introduction", 1 *Journal of Intellectual Property, Information Technology, and Electronic Commerce Law* (2010), 50-42.

works on acceptable licensing terms cannot interfere with establishment's ability to digitize the work for the above purpose. This is particularly important for the balance between exclusive rights of authors and the need for works to be accessible; (2) that the necessary connection between the communication and reproduction rights in the digital context cannot divest Article 5(3)(n) of its purpose, even if that Article does not mention specifically an exception or limitation on the reproduction right. The ruling provides that Member States can in their national laws provide for an "ancillary right to digitize" specific works within their collection (but not their whole collection), the aim of which is to enable a balance between the exclusive right of the author to authorize reproductions and the need for such reproductions to be made principally at the behest of libraries according to the needs of their patrons;⁴ (3) lastly, the Court recognized the limits of Article 5(3)(n): it does not go as far as allowing the further act of reproduction by users themselves in order to print out the digitized works or store them on USB sticks for use off the premises, although this might be permitted throughout Article 5 exceptions and limitations.

2. Factual and procedural background

The case stems from the decision of TU Darmstadt to digitize a library copy of a history book written by emeritus Professor Winfried Schulze, the copyright for which was held by the publisher, Eugen Ulmer KG. This decision overlapped, or at least coincided with, an offer made by Ulmer on 29 January 2009 to TU Darmstadt to "purchase" its texts in electronic (e-book) format for use by library members.⁵ The library did not react to this offer. At around the same time – it is unclear whether this was before or after the offer was made – the library did however scan the full copy of the printed book to make it available to library card-holders in PDF format via dedicated reading terminals in the library of the TU.⁶ The library relied on Article 52b of the German *Urheberrechtsgesetz*, the national law implementation of Article 5(3)(n) of the Copyright Directive ("CD"), to support its digitization and making available of the book in this way.

The PDF files made available were simple graphic scans of the pages, without optical character recognition, meaning that the resulting files offered no word processing,

⁴It may be noted that the purpose of Art. 5(3)(n) is not preservation of works, but rather enabling access to works.

⁵The use of quotation marks here is intentional: the ECJ uses the term "purchase and use" (para 12), and Art. 5(3)(n) of the Copyright Directive which is at issue also refers to "purchase or licensing terms". However, the use of "sales-speak" in the context is, to the present author at least, a point of contention; as regards e-books it should be clarified that as things stand no concept of ownership akin to the situation of physical goods exists; all that is being transacted for is therefore a licence to use, not a sale with associated rights. This distinction is important but uneasy, and suffice to say in the present context it may not in fact exist at all if the ECJ sees fit to cross-apply its 2012 *UsedSoft* ruling in the context of the Copyright Directive. See Case C-128/11, *UsedSoft v. Oracle*, EU:C:2012:407.

⁶Initially, there was no login protection, meaning that the texts could be accessed by anyone in the library building, who may not necessarily be a member. However, the system was altered at an unspecified point in time to require a user login and password before viewing the "electronic reading course" files: Landgericht Frankfurt, judgment of 13 May 2009-2-06 O 172/09. As a side note, it should also be added that the PDF files did not contain any copy protection, DRM or otherwise.

editing or search possibilities. The number of library users who could access the digitized version at any given time using the terminals was limited to the number of copies of the printed book held by the library.⁷ In addition to offering users “on-site” reading opportunities, TU Darmstadt also allowed for print-outs to be made from the terminals and for storage of the (unencrypted) PDF file on a USB stick, thus enabling access to the work outside of the library environment or away from the terminal. TU Darmstadt also issued a notice containing information on the conditions of use and the relevant provisions relating to the on-site consultation and private copy exceptions.⁸

The case first entered the German court system as a preliminary injunction, wherein the applicant brought an action against TU Darmstadt before the *Landgericht Frankfurt*, asking for a preliminary injunction to stop the defendant from: 1) digitalizing, allowing the digitization of or allowing access to digitized versions of books published by the defendant and held in its catalogue without clarifying with the publisher defendant whether it offers the work in digital form and on reasonable licensing terms; 2) allowing users with access to the digital terminals to print or store on USB keys or other devices the whole of the work or a part thereof; 3) allowing access to the publisher’s works from the library website.⁹ The *Landgericht* found largely in favour of the library; it judged the first request to be unfounded, since without contractual agreement there could be no blockage to the library making digitized copies of works available under the conditions of Paragraph 52b of the *Urheberrechtsgesetz*. The *Landgericht* allowed, under the private copy exception, the printing of paper copies from the terminal to continue, but granted injunctive relief to stop users from copying onto USB drive digital copies of the work.

Still within the interim injunction procedure, the decision of the *Landgericht* was appealed to the *Oberlandesgericht* (“OLG”) Frankfurt,¹⁰ which agreed that without a contractual agreement the works could be digitized and made available on dedicated terminals, but tightened its ruling as regards reproduction on paper and in digital format. The OLG ruling – with an air of a “medieval reading room” ideal¹¹ – granted a preliminary injunction to stop even printed copies from being made from the digitized file, noting that only on-premises access was permitted by the exception. That Court found that the *Landgericht*’s distinction between print and digital reproduction in this respect was unfounded – no difference being discernable in the intention of the legislature – and that the possibility to make copies from the print books in the library catalogue ensured that the private copy exception was not redundant.

⁷In this case the number was 7 (see *Landgericht Frankfurt*, judgment of 13 May 2009-2-06 O 172/09).

⁸Arts. 52b (implementing Art. 5(3)(n) CD) and 53 *Urheberrechtsgesetz* (implementing Art. 5(2)(b) CD). The private copy exception allows natural persons to make reproductions *on any* medium for non-commercial ends, provided that rightholders receive fair compensation (which is usually gathered via “private copy levies” or blank media taxes paid on purchases of blank CDs, DVDs, tapes or the devices enabling copying).

⁹*Landgericht Frankfurt am Main*, judgment of 13 May 2009-2-06 O 172/09.

¹⁰OLG Frankfurt am Main, judgment of 24. Nov. 2009 - 11 U 40/09.

¹¹Djordjevic, “Digitalisierungen für Bibliotheken Lohnen Sich Nicht” (iRights Blog, posted 16 Dec. 2009). see <irights.info/2009/12/16/digitalisierungen-fur-bibliotheken-lohnen-sich-nicht/1675> (Last visited 20 Nov. 2014).

In the main action – which eventually made its way to the ECJ – the *Landgericht* was again called upon to decide on the issues.¹² As per the interim ruling of OLG it found that the digitization of the work in the absence of a contractual agreement was permitted, but that allowing users via the reading terminals to print or store the work was not allowed. This was subsequently – via a special “leapfrog” procedure – appealed to the Bundesgerichtshof (“BGH”), which considered it appropriate to refer three questions to the ECJ for preliminary ruling, given the basis for the German *Urheberrechtsgesetz* provisions in the CD.¹³

The first question arose because of inconsistencies between the different language versions of the CD: in the English and French versions of Article 5(3)(n), it might be considered that the offer of an appropriate licensing agreement could be enough to prevent the establishments from digitizing works to be made accessible at digital terminals. The BGH considered that such an interpretation would be in keeping with the general scheme of the Directive, but so would the reverse interpretation – in accordance with the German language version applied by both lower courts – that only where an agreement was in place could the digitization be blocked. As such, it formulated the first question as: “Is a work subject to purchase or licensing terms, within the meaning of Article 5(3)(n) of Directive 2001/29, where the rightholder offers to conclude with the establishments referred to therein licensing agreements for the use of that work on appropriate terms?”.

The second question concerned the act of digitization itself, which necessarily involves an act of reproduction. It asked whether Article 5(3)(n) CD allowed the “right to digitize the works contained in their collections, if that is necessary in order to make those works available on terminals?” This question arose because Article 5(3)(n) is an exception to the communication and making available rights, but makes no mention of the reproduction right.

The third and final question concerned the aspect that had caused so much to-ing and fro-ing between the *Landgericht* and the OLG; it questioned whether the Member States could allow in their implementation of Article 5(3)(n) users “to print out on paper or store on a USB stick the works made available” via the terminals.

3. Opinion of the Advocate General

Advocate General Jääskinen answered the first and third questions in the negative, and the second **in the positive**. These conclusions – which a cynic might say could equally have been arrived at through mere common sense without the legal jigsaw puzzle – were the result of a not insubstantial 40 paragraph analysis, which was largely followed by the ECJ.

As noted above, the first question arose because of inconsistencies between language versions of Article 5(3)(n) CD. The Advocate General, agreeing with TU Darmstadt, found it clear from the recitals and overall objectives of the Directive that allowing a unilateral offer of licensing terms from a publisher to constitute “purchase or

¹²LG Frankfurt am Main, judgment of 16. Mar. 2011 - 2/6 O 378/10.

¹³BGH, Judgment of 20. Sept. 2012 - I ZR 69/11.

licensing terms” – without acceptance or any communication whatsoever from the library – would weigh too much in favour of the rightholder and undo the “fair balance” sought by the CD. The Advocate General drew attention to the language of the recitals and considered that neither a teleological nor schematic approach would alter the conclusion that, in order to allow effective use of the exception, licensing agreements must actually have been concluded for the publisher to be able to prevent making available via terminals.

The second question essentially concerned the issue of reproduction. The Advocate General – and later the Court – found Article 5(3)(n) to be an exception to the right of communication (Art. 3 of the CD), however an act of reproduction (which takes place when the work is scanned) is a necessary part of the act of digitization. Finding first that this reproduction is not transient or incidental, and so not covered by Article 5(1), the library copying exception of Article 5(2)(c) was considered to fit the bill. However, reproductions can only come under this exception if they are individual in character, as per Article 5(5).¹⁴ The digitization and making available of a whole collection would therefore *not* be permitted via this route.

After finding that a reproduction for digitization in order to enable access at dedicated terminals was permitted, the Advocate General then considered whether the exception to the reproduction right could also extend to allow users to print and save the works on USB sticks. In both scenarios there is, rather evidently, a *further* act of reproduction taking place, and one that is not “necessary to preserve the effectiveness of the exception in question”, even though it might be helpful to the user. The Advocate General considered that allowing for an exception to the reproduction right in this respect also would be a step too far; the intended use of the on-site consultation exception “involves an act of perception by immediate reading, listening or viewing, which must, moreover, occur on the premises of the library”. Copying the work onto a USB stick is no longer within the ambit of the exception and, applying the same logic, neither is printing out on paper. Going beyond the questions asked of him, the Advocate General continued to note that such acts of reproduction to create a paper copy might nonetheless be permitted where it is covered by the exceptions of Article 5(2)(a), (b) or (c).¹⁵

4. Judgment of the Court

The Court followed the logic of the Advocate General in response to the questions referred, and in around the same number of paragraphs. Its ruling differed only insofar as the Court ruled – going beyond the questions asked of it – that other exceptions and

¹⁴ This limits all exceptions and limitation of exclusive rights to “certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder”.

¹⁵ These are respectively: (a) reproductions on paper or any similar medium made against fair compensation; (b) reproductions on any medium made by natural persons for non-commercial private use against fair compensation; (c) specific acts of reproduction made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage.

limitations (but not that for on-site consultation) might permit further reproductions by users onto USB sticks as well as print-outs.

In response to the first question, the Court gave short shift to the arguments of Ulmer. Like the Advocate General, it found that the various language versions of Article 5(3)(n), as well as the recitals to the CD – referring to, e.g. “contractual relations” (recital 45) or “agreements between rightholders and other parties concerned” (recital 51) – supported the view that only where there is a contract between the library and the rightholder does Article 5(3)(n) cease to be applicable. The ECJ grounded its reasoning in the overall aims of Directive and Article 5(3)(n), which are to preserve the mission of public libraries to “promote the public interest in promoting research and private study, through the dissemination of knowledge”. To achieve this, the article and the recitals read in combination aim to strike a “fair balance” between the rights and interests of rightholders and users; a mere offer by a publisher without acceptance of its terms by a public institution would overwrite this balance.

Considering whether the libraries may – when making use of the on-site consultation exception – also interfere with the right of reproduction, the Court confirmed that this is permitted to the extent necessary to make the works in question available on digital terminals. Citing *Svensson and Others*,¹⁶ the Court confirmed that: “Such a right of communication of works enjoyed by establishments such as publicly accessible libraries covered by Article 5(3)(n) ... would risk being rendered largely meaningless, or indeed ineffective, if those establishments did not have an ancillary right to digitize the works in question”.¹⁷

This reference to an “ancillary right to digitization” is the most intriguing part of the judgment and is commented on in more detail below. The Court noted that such a right is in fact already held by such establishments in relation to Article 5(2)(c), allowing an exception for “specific acts of reproduction”.¹⁸ This phrase means that “as a general rule, the establishments in question may not digitize their entire collections”; as such, the Court found that where libraries digitize only part of their collection under the exception in Article 5(3)(n) they would be in line with this condition. Explaining the boundaries of the “ancillary right of reproduction” further, the Court took the view that the proportionality requirement inherent in the transplanted three-step test¹⁹ (Art. 5(5)) requires national exceptions for on-site digital consultation to incorporate safeguards to prevent abuse: the exception is only allowed where there is no conflict with a normal exploitation of the work so the legitimate interests of the rightholder are not prejudiced. Without giving suggestions of other appropriate mechanisms, the Court considered that the German legislation – which limits the number of users who can access the work at any given time to the exact number of copies held by the library – is effective in this

¹⁶Case C-466/12, *Svensson and Others*, EU:C:2014:76, para 19.

¹⁷Judgment, para 43.

¹⁸See note 15 *supra*.

¹⁹The three step test was first set out in the Berne Convention Art. 9, and is transplanted into the CD Art. 5(5). Berne Convention for the Protection of Literary and Artistic Works, Paris Act of 24 July 1971, as amended on 28 Sept. 1979 (Berne Convention) 1161 U.N.T.S. 30.
<www.wipo.int/treaties/en/text.jsp?file_id=283698> (last visited 10 Feb. 2015).

regard, taking due account of the above conditions. The Court did not however give insight into possible alternative schemes that might also be in keeping with this.

The third and last question was answered by the Court again with reference to the scope of the rights covered by the Article 5(3)(n) exception. It reiterated that this Article is about *communication* of works (making available being a form of communication) and that printing of works as well as saving and storing them on a USB entails a further reproduction. It distinguished this from the reproduction at issue in the second question:

“Such acts of reproduction, unlike some operations involving the digitization of a work, also cannot be permitted under an *ancillary right* stemming from the combined provisions of Articles 5(2)(c) and 5(3)(n) of Directive 2001/29, since they are not necessary for the purpose of making the work available to the users of that work, by dedicated terminals, in accordance with the conditions laid down by those provisions.”²⁰

The fact that it is the users and not the libraries or other establishments that undertake the acts of reproduction here also backs up the interpretation that the reproductions to produce print or digital copies on USBs are *not* covered by the scope of the Article 5(3)(n) exception. However, unlike the Advocate General, the Court found that where there is compensation paid to the rightholder and the conditions of Article 5(5) are again met, such reproductions *either to make print copies or digital ones* could be permitted as exceptions or limitations in national legislation under Article 5(2)(a) or (b).²¹ The finding that these exceptions could also cover digital copies made by users onto USB sticks signals that the Court holds a more liberal view than the Advocate General in this respect; it shows none of the Advocate General’s concerns that copying to a USB, “create[s] a new situation compared with the situation where there is no dedicated terminal” or that there is a “danger of large-scale unlawful distribution ... present in the case of digital copies”.²²

5. Comment

On the one hand, as noted, the judgment appears to be merely common sense. The question of contract overriding copyright exceptions is never really at issue, and quite sensibly at least now we know for certain that non-contractual relations cannot block the ability of a library to make use of an exception. In addition, since the only way for Article 5(3)(n) to be in any way useful is to allow for reproductions necessary for digitization, it is not really any wonder that the Court ruled as it did.

²⁰Judgment, para 54.

²¹See *supra* note 15. On the condition of fair compensation, these allow exceptions or limitations for: (a) reproductions “on paper or any similar medium, effected by the use of any kind of photographic technique or by some other process having similar effects, with the exception of sheet music; and (b) reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial”.

²²Opinion, at para 57.

The most interesting part of the case is the reference to an “ancillary right to digitize”; Member States are permitted to grant libraries and other establishments a *right* to digitize *parts* of their collections for the purpose of research or private study, and this includes overcoming the exclusivity of the reproduction right where necessary for use and proportionate. This talk in terms of rights could be a slip of the pen mingling rights and exceptions and necessary acts (picked up no doubt from the language of the referring court), but its appearance no less than three times hints that this could be a matter of more significant impact. Whether slip or shake-up, the Court’s reference to digitization as a right where it is linked to the exceptions and limitations in Article 5 is one for the books. The extent (or even of existence) of this “right” is far from certain as things stand: in paragraph 47, one might assume that the use of the demonstrative (“*that* ancillary right”) limits this talk of an ancillary right to the context of Article 5(3)(n). However, the ECJ does not actually mention this Article in paragraphs 47-48. This, in conjunction with the reference to the digitization itself as an “ancillary *right*”, rather than just a necessity for this particular situation, may indeed be taken to indicate that the implications go beyond the scope of Article 5(3)(n) and that we are not solely talking here in terms of reproduction for digitization to make works available on dedicated terminals. However, it is worth recalling that the Court’s reasoning on this issue is not solely based on Article 5(3)(n), but is also achieved by roping in the exception or limitation of the reproduction right in Article 5(3)(c).²³ This raises the question of whether a Member State must make use of this latter exception as a “link” to also provide for the right to digitize under the former. It can be noted that this is by no means the first time that the Court has invented a “get around” interfering with the reproduction right.²⁴ To critics, such rulings could well be demonstrative of the flimsy and malleable nature of the reproduction right when placed in the hands of the Court.

A last note can be made regarding the specificity condition of the ruling, which of course is nothing new since it stems from Article 5(5). This can be read in contrast to the much more liberal approach to digitization by libraries in the US, as is evident from the *Authors Guild v. Google* saga.²⁵ It is worth reiterating that this is open to national interpretation; the German legislature’s limitation, to the effect that one physical copy permits one user to access at a terminal at any given time, is but one way of dealing with this requirement. What is *excluded* by the ruling is the digitization of an *entire* library collection under the auspices of Article 5(3)(n), but the exact point at which the digitization for on-site consultation becomes *too much* remains unsaid. Can a library digitize and make available 20 percent of its collection and still use this “exception”? What about 50 percent, or 90 percent?

²³See Rosati, “Copyright exceptions and user rights in Case C-117/13 Ulmer: a couple of observations” (IP Kat Blog, posted 20.09.2014), <ipkitten.blogspot.de/2014/09/copyright-exceptions-and-user-rights-in.html> (last visited 20 Nov. 2014).

²⁴See e.g. Case C-128/11, *UsedSoft* where the Court – in the context of the Software Directive – mingled a reading of Art. 4(2) allowing exhaustion upon first sale with an application of Art. 5(1) allowing reproduction.

²⁵*Authors Guild v. Google*, United States District Court, S.D. New York. No. 05 Civ. 8136 (DC), judgment of 14 Nov. 2013.

6. Concluding remarks

While raising these questions before the Court was no doubt necessary to resolve this case, one wonders to what extent such issues relating to USBs and paper print-outs from terminals will actually be of concern in future. With the increasing interest of libraries in cloud-based access (963 libraries in the UK are currently using Overdrive²⁶) we should be acknowledging that while the cloud undoubtedly brings with it certain risks, it also has new possibilities for control. The continuing focus of the Court on further acts of reproduction seems out of sync with this; the scope of this ruling would see future possibilities for digitized copies sent to users for remote access blocked as reproductions, even if these are again limited to the number of copies held by the library and contain the further control of automatic deletion after a certain timespan, a control that is clearly not adaptable to print or USB-held copies. In a constantly evolving landscape of remote access, one wonders whether the real issues for the future can really be abated by the clarifications of the Court or whether – more likely – we can just add this to the (ever growing) stack of provisions from the Copyright Directive that are fast running short of useful lifespan for rightholders, libraries and users alike.

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²⁶See the Overdrive website “Find a Library” function, <www.overdrive.com/libraries?f-country=United%20Kingdom&autoLibrary=t&autoRegion=t> (last visited 20 Nov. 2014).

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